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INTELLIGENCE SUMMARY

For Week Ending  
20 October 1948

Vol. III No. 41

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## INTELLIGENCE SUMMARY

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## TURKEY

Substantial amounts of capital are being offered to Turkey by private US interests. Tentatively, the sum of \$600 million is mentioned, to be spent on construction of roads, harbors, railroads, and power plants over a 10-year period. This amount is far in excess of what the Turks could hope for from any official US agency or from the International Bank for Reconstruction and Development; the Turks, who would naturally sign any reasonable contract that was necessary, have apparently received these offers with a combination of incredulity and cautious enthusiasm. The chief drawback to conclusion of the contracts would be from the lender's viewpoint. Until recent years, the Turkish Government not only discouraged foreign loans and foreign investment, but sought to squeeze out (by fair means, if possible) the foreign investments in existence when the regime came into power in 1923. Foreign investors have always had enormous difficulties in attempting to transfer their profits, not to mention capital investment, from the country, and Turkish statements that facilities for such transfers will be granted in the future have yet to be put to any effective test. Moreover, regardless of Turkey's attitude, the problem of repayment of capital loans in dollars will have to be solved.

## SYRIA

The conflicting Syrian and French claims left unsettled when Syria allowed its monetary accord with France to lapse last January will soon be discussed in Paris by representatives of the two countries, according to well substantiated reports. If these negotiations progress satisfactorily, they may produce not only a settlement of claims but also a new comprehensive monetary accord, along the lines of the present Franco-Lebanese agreement. Although Syria has more or less patched up the economic rupture with Lebanon brought on by its decision to have an independent currency, there have been intimations that the government is becoming greatly concerned about its financial position. Despite its traditional distrust of the French, Syria may conclude that its own "baloney" pound is a failure and a tie-up with some foreign currency a necessary evil.

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## IRAQ

A fundamental change in Iraqi thinking now shows signs of taking place. The UK's traditional position of dominance in the country has apparently been shattered by a resurgent nationalism demanding "Iraq for the Iraqis" and by the adverse effects of British refusal to continue military aid to the Arabs and British espousal of the Bernadotte plan. The Iraqi hope that the US would reverse its Palestine policy, encouraging Iraq to look to the US as a friend and sponsor in world affairs, has now vanished in the realization that US support of Israel will not be abandoned. Even the Hashimite bond between Iraq and Transjordan has been weakened under the stress of recent events, as Iraq demonstrated by its recognition of the Palestinian Arab Government over Abdullah's objections.

With its traditional ties weakened, Iraq faces a difficult choice. It can cold-bloodedly make arrangements with its former Western friends, which still have such tangibles as military supplies and money to offer. On the other hand, should Iraq's disillusionment with the West prove too great, there remains the USSR, which is flooding the country with anti-Western propaganda and which, the Iraqis feel is quite willing to change sides at any time if the returns appeared worth while. So far the USSR has continued to support Israel (though less actively than the US) and has appealed to the Arab masses rather than to their governments. Should the Soviets reverse themselves, however, there is a danger that the Iraqis, although they still fear and distrust Communism, might gingerly move over to the Soviet side of the field.

## PALESTINE

The resumption of hostilities between the Israeli and Egyptian Armies on the southern front suggests that the Israelis have taken the offensive in order to: (1) obtain control of the routes supplying the isolated Jewish settlements in the Negeb; and (2) present the UN with a fait accompli of Israeli dominion over the Negeb, which the Bernadotte Plan would award to the Arabs. Israeli tanks and armor have made a thrust southward across the Majdal-Paluja road leading to Hebron, and Israeli aircraft have bombed Egyptian supply centers at Majdal, Gaza, and El Arish. Israeli forces have also reached the vicinity of Gaza. These initial operations assure the opening of the supply routes to the Negeb settlements. Moreover, the Israelis, by cutting the Majdal-Hebron and the Gaza-Beersheba roads, have split the Egyptian Army. The Egyptian units along the coast are thus dangerously isolated and may be forced to withdraw southward to the Egyptian frontier. Although

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the Security Council's renewed "cease-fire" order may halt the fighting, only further determined SC action (involving the threat of sanctions) will make Israel relinquish the areas it has conquered during the past week.

The Arab refugees constitute one of the most serious problems arising from the Palestine war. Almost half a million of these people are living precariously in sprawling, open encampments--in Syria and Lebanon, in Transjordan and Iraq, and in various parts of Palestine itself. The absence of sanitation, lack of medical supplies, and inadequate nourishment have already made epidemics in the camp a strong possibility; now, with the coming of winter, it is estimated that about one fourth of the refugees may die of exposure. Such relief as has reached the refugees has come primarily from the Arab countries; they, however, are nearing the end of their available financial resources. Unless UN relief agencies, an international relief organization like the Red Cross, or the Western powers themselves act forcefully, the refugee problem will reach calamitous proportions. Disease and social disorganization will have widespread repercussions, and Arabs throughout the Middle East will be resentful against the indifference of the great powers.

Israeli efforts to curb the extremists in the new state have not been altogether effective. The PGI (Provisional Government of Israel), so far as is known, has not apprehended Count Bernadotte's assassins; the members of the Stern Gang who were arrested shortly after the assassination have been so poorly guarded that many have escaped, and many others are still at large. The PGI ordered the disbanding of the IZL (Irgun Zvai Leumi) but has taken no punitive action against the leaders. Although the IZL members of military age have been assimilated by the Israeli Army, youths under the age of eighteen remain free and will probably form the nucleus of a future para-military organization. Even if the military potential of the extremists has been dissipated, their plan to drive the Arab armies out of Palestine and to take over the whole country will continue to have the backing of a large proportion of the Israeli population. Terrorist leaders will seek to increase their political power in the right-wing parties and may even attempt to replace the more moderate leaders now controlling the PGI. The outbreak of hostilities on the southern front and the apparent determination of the Israelis to conquer the Negev in defiance of the UN truce may well be a measure of the influence which the extremists are already exerting on the PGI.

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The future of PAG (Palestine Arab Government) does not look bright. Transjordan remains aloof, and although Iraq, Egypt, Syria, and Lebanon have recognized the new government, their backing is not whole-hearted. Egypt is already taking back with one hand while giving with the other: before recognizing PAG, King Farouk recalled the Mufti (who was instrumental in forming the government) from Gaza and probably will not allow him to return to Palestine. Iraq joined Egypt in recognizing PAG--probably influenced by the hope of obtaining an Egyptian loan and the wish not always to be following in Transjordan's wake. Syria, fearful of Transjordan's British-backed Greater Syria schemes, automatically favors anything which Transjordan opposes. The Palestine Arabs themselves apparently realize that if they become involved in the Mufti's maneuverings, the peace which they wish will be very far away. The US and UK disapprove of PAG because it claims all of Palestine whereas the Bernadotte Plan, which they favor, recommends the annexation of Arab Palestine to Transjordan. The USSR has withheld its recognition, reportedly because PAG, in claiming all of Palestine, ignores the UN's partition recommendation and also the realities of the current situation. Under such circumstances, it is problematical whether PAG itself will long remain a significant factor in Palestinian affairs. Nevertheless, the internal Arab dissensions which were largely responsible for the creation of PAG will not be dissolved by its demise.

## NOTED IN BRIEF

All the main roads in Thessaly are reported to be unsafe because of the activities of the guerrillas, who are seen "wandering around in the daylight." Inasmuch as Thessaly is one of the principal agricultural areas of Greece, the effects of this situation will be felt throughout the country. . . . . Greek Prime Minister Sophoulis has taken a strong stand on the threatened revolt within his own Liberal Party and has declared that the Populist-Liberal coalition must continue. Sophoulis' stern injunction, plus the fact that the Greek question is shortly to be taken up by the UN, will probably prevent a governmental crisis at this time. It seems likely, however, that all hell will break loose as soon as the UN finishes with the UNSCOB report. . . . . The Soviet propaganda campaign against Iran has been steadily maintained although there have been no political or diplomatic developments of importance between the two countries since the departure of Ambassador Sadchikoff for Moscow in August. The Soviet propagandists are particularly virulent against

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the alleged integration of Iran's armed forces with those of the US; they also seek to foster a belief among the Iranians that there is a serious clash between US and UK interests in Iran. . . . .  
.. The UN Kashmir Commission has expressed the hope that the prime ministers of India and Pakistan will, during the London Conference, be able to reach some sort of agreement concerning a plebiscite for Kashmir. The UK is trying to create a "suitable atmosphere" for the discussions but will not advance a plan itself for settlement of the dispute. . . . . India's straitened economic condition has prompted its government to inaugurate an eleven-point anti-inflation program and to re-impose price and procurement controls over food grains and cotton. A number of the Provincial Governments are also effecting economies in expenditures and instituting food rationing. . . . . The USSR has recently approached Ceylon with an offer to purchase 30,000 tons of rubber out of current production and all of next year's output. In view of the strategic importance of this material, Ceylon officials have not yet given an answer to the Soviet Union, in the obvious hope that the US and the UK will undertake to absorb Ceylon's rubber production on a reasonable basis. US-UK assurances to this effect would make Ceylon's cooperation with Western bloc economic planning especially likely.

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